

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 0-28150

NEUROCRINE BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

33-0525145
(IRS Employer Identification No.)

10555 SCIENCE CENTER DRIVE
SAN DIEGO, CALIFORNIA 92121
(Address of principal executive offices)

(858) 658-7600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

The number of outstanding shares of the registrant's Common Stock, par value of \$0.001, was 26,212,635 as of October 31, 2001.

NEUROCRINE BIOSCIENCES, INC.
FORM 10-Q INDEX

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

NEUROCRINE BIOSCIENCES, INC.
CONDENSED BALANCE SHEETS
(in thousands)

	September 30, 2001 (unaudited)	December 31, 2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,946	\$ 21,078
Short-term investments, available-for-sale	129,309	143,592
Receivables under collaborative agreements	19,710	5,974
Other current assets	1,704	1,761
	-----	-----
Total current assets	162,669	172,405
Property and equipment, net	12,653	11,300
Licensed technology and patent applications costs, net ..	245	362
Other assets	2,387	1,895
	-----	-----
Total assets	\$ 177,954	\$ 185,962
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,354	\$ 1,065
Accrued liabilities	11,119	11,135
Deferred revenues	8,243	1,172
Current portion of long-term debt	149	149
Current portion of capital lease obligations	1,545	1,438
	-----	-----
Total current liabilities	22,410	14,959
Long-term debt, net of current portion	37	162
Capital lease obligations, net of current portion	2,005	2,121
Deferred rent	4,996	1,646
Deferred revenues	2,075	2,890
Other liabilities	898	976
	-----	-----
Total liabilities	32,421	22,754
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 50,000,000 shares authorized; issued and outstanding shares were 26,187,852 in 2001 and 25,314,470 in 2000	26	25
Additional paid in capital	238,880	233,565
Deferred compensation	(444)	(59)
Stockholder notes	(104)	(104)
Accumulated other comprehensive income (loss)	(45)	261
Accumulated deficit	(92,780)	(70,480)
	-----	-----
Total stockholders' equity	145,533	163,208
	-----	-----
Total liabilities and stockholders' equity	\$ 177,954	\$ 185,962
	=====	=====

See accompanying notes to the condensed financial statements.

NEUROCRINE BIOSCIENCES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited; in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000 (restated)	2001	2000 (restated)
Revenues:				
Sponsored research and development	\$ 5,104	\$ 1,887	\$ 10,948	\$ 4,943
License and option fees	501	152	959	2,152
Milestones	15,500	-	15,500	-
Grant income and other revenues	488	386	1,002	1,050
Total revenues	21,593	2,425	28,409	8,145
Operating expenses:				
Research and development	18,327	12,499	49,583	28,404
General and administrative	2,073	2,509	7,304	6,930
Total operating expenses	20,400	15,008	56,887	35,334
Income (loss) from operations	1,193	(12,583)	(28,478)	(27,189)
Other income and (expenses):				
Interest income	1,254	1,431	5,965	4,466
Interest expense	(79)	(61)	(223)	(173)
Other income and expenses, net	139	282	436	926
Income (loss) before income taxes	2,507	(10,931)	(22,300)	(21,970)
Income taxes	-	102	-	302
Net income (loss)	\$ 2,507	\$(11,033)	\$(22,300)	\$(22,272)
Income (loss) per common share:				
Basic	\$ 0.10	\$ (0.50)	\$ (0.87)	\$ (1.02)
Diluted	\$ 0.09	\$ (0.50)	\$ (0.87)	\$ (1.02)
Shares used in the calculation of loss per common share:				
Basic	25,816	22,032	25,575	21,900
Diluted	27,972	22,032	25,575	21,900

See accompanying notes to the condensed financial statements.

NEUROCRINE BIOSCIENCES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited; in thousands)

	Nine Months Ended September 30,	
	2001	2000 (restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (22,300)	\$ (22,272)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Loss on asset disposal	51	-
Depreciation and amortization	1,918	1,618
Deferred revenues	9,177	2,791
Deferred expenses	352	785
Compensation expenses for stock options	1,585	1,986
Change in operating assets and liabilities:		
Accounts receivable and other current assets .	(13,680)	545
Other non-current assets	(238)	837
Accounts payable and accrued liabilities	1,188	886
Net cash flows used in operating activities	(21,947)	(12,824)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(73,953)	(25,140)
Sales/maturities of short-term investments	87,930	26,775
Purchases of property and equipment	(3,459)	(1,688)
Net cash flows provided by/(used in) investing activities	10,518	(53)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of common stock	2,431	2,816
Proceeds from capital lease financing	1,011	650
Principal payments on long-term obligations	(1,145)	(706)
Payments received on notes receivable from stockholders .	-	15
Net cash flows provided by financing activities	2,297	2,775
Net decrease in cash and cash equivalents	(9,132)	(10,102)
Cash and cash equivalents at beginning of the period	21,078	21,265
Cash and cash equivalents at end of the period	\$ 11,946	\$ 11,163
	=====	=====

See accompanying notes to the condensed financial statements.

NEUROCRINE BIOSCIENCES, INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The condensed financial statements included herein are unaudited. Certain reclassifications have been made to prior year amounts to conform to the presentation for the three and nine months ended September 30, 2001. These statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions of the Securities and Exchange Commission (SEC) on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented.

The results of operations for the interim periods shown in this report are not necessarily indicative of results expected for the full year. The financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2000, included in our Annual Report on Form 10-K filed with the SEC.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. NET EARNINGS OR LOSS PER COMMON SHARE

Basic net earnings or loss per common share is calculated using the weighted average number of common shares outstanding during the period. Diluted net earnings or loss per common share is calculated by adding the total incremental number of common share equivalents and the weighted average number of common shares outstanding during the period using the treasury stock method. Except for the quarter ending September 30, 2001, the incremental shares of the common share equivalents for all other periods were excluded from the calculation of diluted net loss per share as their effects were antidilutive.

4. COMPREHENSIVE INCOME

Our comprehensive losses consist of net losses and unrealized gains and losses on investments. The accumulated balances of these components are disclosed as a separate component of stockholders' equity.

5. REVENUE RECOGNITION

During the fourth quarter of 2000, the Company adopted SAB 101, "Revenue Recognition in Financial Statements". SAB 101 provides, among other revenue items, guidance in the recognition of nonrefundable, up-front fees received in conjunction with a research and development agreement. The result of the adoption of SAB 101 was to reduce recognition of license fee revenues reported during the third quarter of 2000 by \$2.9 million, increasing net loss per share by \$0.13 for the three and nine months ended September 30, 2000. These revenues were deferred and will be recognized as income, ratably over the estimated lives of the respective agreements.

Milestones are recognized as revenue when earned. The earnings process is considered complete when the milestone coincides with the occurrence of a contract specified event and represents the completion of a substantive element of an arrangement. In July 2001, the Company and Glaxo Group Limited, a subsidiary of GlaxoSmithKline (GSK), signed a worldwide collaboration and license agreement to engage in the research, development and commercialization of Corticotropin Releasing Factor Receptor Antagonist Compounds. Under the GSK agreement, we completed and recognized a \$15.5 million milestone in September 2001.

6. NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued FASB Statements Nos. 141 and 142 (FAS 141 and FAS 142), "Business Combinations" and "Goodwill and Other Intangible Assets." FAS 141 replaces APB 16 and eliminates pooling-of-interests accounting prospectively. It also provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. FAS 142 changes the accounting for goodwill from an amortization method to an impairment only approach. Under FAS 142, goodwill will be reviewed annually and also whenever events or circumstances occur indicating that goodwill might be impaired. FAS 141 and FAS 142 are effective for all business combinations completed after June 30, 2001. Upon adoption of FAS 142, amortization of goodwill recorded for business combinations consummated prior to July 1, 2001 will cease, and intangible assets acquired prior to July 1, 2001 that do not meet the criteria for recognition under FAS 141 will be reclassified to goodwill. Companies are required to adopt FAS 142 for fiscal years beginning after December 15, 2001, but early adoption is permitted under certain circumstances. The adoption of these standards is not expected to have a material impact on the Company's results of operations and financial position.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements which involve risks and uncertainties, pertaining generally to the expected continuation of our collaborative agreements, the receipt of research payments there under, the future achievement of various milestones in product development and the receipt of payments related thereto, the potential receipt of royalty payments, pre-clinical testing and clinical trials of potential products, the period of time that our existing capital resources will meet our funding requirements, and our financial results and operations. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below and those outlined in our 2000 Annual Report on Form 10-K and the most recent Form S-3 filed with the SEC.

OVERVIEW

We incorporated in California in 1992 and reincorporated in Delaware in 1996. Since we were founded, we have been engaged in the discovery and development of novel pharmaceutical products for neurologic and endocrine diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world including insomnia, anxiety, depression, cancer and diabetes. To date, we have not generated any revenues from the sale of products, and we do not expect to generate any product revenues in the foreseeable future. We have funded our operations primarily through private and public offerings of our common stock and payments received under research and development agreements. We are developing a number of products with corporate collaborators and will rely on existing and future collaborators to meet funding requirements. We expect to generate future net losses in anticipation of significant increases in operating expenses as product candidates are advanced through the various stages of clinical development. As of September 30, 2001, we have incurred a cumulative deficit of \$92.8 million and expect to incur operating losses in the future, which may be greater than losses in prior years.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Revenues for the third quarter of 2001 were \$21.6 million compared with \$2.4 million for the same period last year. The increase in revenues from last year to this year resulted primarily from revenues received under the GlaxoSmithKline (GSK) and Taisho Pharmaceuticals Co., Ltd. (Taisho) agreements. On July 20, 2001, the Company and Glaxo Group Limited, a subsidiary of GSK, signed a worldwide collaboration and license agreement to engage in the research, development and commercialization of Corticotropin Releasing Factor Receptor Antagonist Compounds. Under the GSK agreement, we recognized \$1.6 million in license and sponsored research and development funding and a \$15.5 million milestone. We also recognized \$2.5 million in license and sponsored development fees, and \$713,000 in sponsored research related to the Taisho agreement this quarter compared to \$538,000 in license and sponsored development fees in the same quarter last year. The increase in revenues from these agreements was partially offset by the completion of the sponsored research portion of the 1999 Janssen Pharmaceutica, N.V. (Janssen) agreement. These activities concluded, as scheduled, in February 2001. Under the Janssen agreement, we received \$743,000 in sponsored research and development during the third quarter of 2000.

Research and development expenses increased to \$18.3 million for the third quarter of 2001 compared with \$12.5 million for the respective period in 2000. Increased expenses primarily reflect higher costs associated with expanding development activities and the addition of scientific and clinical development personnel. Currently, we have 15 programs in our research and development pipeline. Five of these programs are in clinical development, three programs are in advanced pre-clinical development and seven are in various stages of research. We expect to incur significant increases in future periods as later phases of development typically involve an increase in the scope of studies, the number of patients treated and the number of scientific personnel required to manage the clinical trials.

General and administration expenses decreased to \$2.1 million for the third quarter of 2001 compared with \$2.5 million during the same period last year. The decrease resulted primarily from lower management consulting fees associated with the Taisho agreement.

Interest income decreased to \$1.3 million during the third quarter of 2001 compared to \$1.4 million for the same period last year. Even though the cash balance was higher in the third quarter of 2001 compared to 2000, interest income was lower as a result of declining interest rates in 2001.

Net income for the third quarter of 2001 was \$2.5 million, or \$0.10 per share, compared to a net loss \$11.0 million, or \$0.50 per share, for the same period in 2000. The increase to a net income was primarily the result of the GlaxoSmithKline revenue recognized in the third quarter of 2001. The increased revenue was partially offset from the cost of expanded testing of our five clinical programs and the addition of scientific and clinical development personnel. We expect net losses in the fourth quarter and year-end 2001 as our programs continue to advance through the various stages of the research and clinical development processes.

To date, the Company's revenues have come from funded research and achievements of milestones under corporate collaborations. The nature and amount of these revenues from period to period may lead to substantial fluctuations in the results of quarterly revenues and earnings. Accordingly, results and earnings of one period are not predictive of future periods.

NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Revenues for the nine months ended September 30, 2001 were \$28.4 million compared with \$8.1 million in 2000. The increase from last year to this year resulted primarily from revenues received under the GSK and Taisho agreements. Under the new GSK agreement, we recognized \$1.6 million in license and sponsored research and development funding and a \$15.5 million milestone in 2001. We also recognized \$7.0 million in sponsored research and development, and \$579,000 in license fees related to the Taisho agreement in the nine months ended September 30, 2001 compared to \$2.2 million in option and license fees and \$388,000 in sponsored development fees for the respective period last year. The increase in revenues from these agreements was partially offset by the completion of the sponsored research portion of the Janssen agreement. These activities concluded, as scheduled, in February 2001. Under the Janssen agreement, we received \$342,000 and \$2.2 million for the nine months ended September 30, 2001 and 2000, respectively.

Research and development expenses increased to \$49.6 million for the first nine months of 2001 compared with \$28.4 million for the respective period in 2000. Increased expenses primarily reflect higher costs associated with expanding development activities and the addition of scientific and clinical development personnel. Currently, we have 15 programs in our research and development pipeline. Five of these programs are in clinical development, three programs are in advanced pre-clinical development and seven are in various stages of research. We expect to incur significant increases in future periods as later phases of development typically involve an increase in the scope of studies, the number of patients treated and the number of scientific personnel required to manage the clinical trials.

General and administration expenses increased to \$7.3 million for the nine months ended September 30, 2001 compared with \$6.9 million during the same period last year. The increase resulted from additional administrative personnel expenses, primarily recruiting and relocation, and professional service expenses, predominantly legal costs to support the expanded research and clinical development efforts. The increase was partially offset by lower management consulting fees associated with the Taisho agreement.

Interest income increased to \$6.0 million for the first nine months of 2001, compared to \$4.5 million for the same period last year. Despite lower interest rates in 2001 compared to 2000, interest income increased because of higher investment balances achieved through offerings of our common stock. In December 2000, we sold 3.2 million shares in a public offering, which resulted in net proceeds of \$90.4 million. Due to the increase in cash reserves generated from this transaction, we anticipate interest income for this year will be higher than that of last year.

Net loss for the first nine months of 2001 was \$22.3 million, or \$0.87 per share compared to \$22.3 million, or \$1.02 per share, for the same period in 2000. Higher costs in 2001 from expanded testing of our five clinical programs and the addition of scientific and clinical development personnel were offset by the increase in third quarter revenues. Net losses are expected to increase this year as our programs continue to advance through the various stages of the research and clinical development processes.

To date, the Company's revenues have come from funded research and achievements of milestones under corporate collaborations. The nature and amount of these revenues from period to period may lead to substantial fluctuations in the results of quarterly revenues and earnings. Accordingly, results and earnings of one period are not predictive of future periods.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2001, our cash, cash equivalents, and short-term investments totaled \$141.3 million compared with \$164.7 million at December 31, 2000. The decrease in cash balances at September 30, 2001 resulted primarily from funding of operations.

Net cash used by operating activities during the nine months ended September 30, 2001 was \$21.9 million compared with \$12.8 million during the same period last year. The increase in cash used in operations resulted primarily from the increase in clinical development activities and the addition of scientific and clinical development personnel.

Net cash provided by investing activities during the nine months ended September 30, 2001 was \$10.5 million compared to net cash used of \$53,000 for the first nine months of 2000. This fluctuation resulted primarily from the timing differences in the investment purchases, sales, maturities and the fluctuations in our portfolio mix between cash equivalents and short-term investment holdings. We expect similar fluctuations to continue in future periods. Capital equipment purchases for 2001 will be financed primarily through leasing agreements and are expected to be approximately \$4.0 million this year, of which \$3.5 million has been incurred in the nine months ending September 30, 2001.

Net cash provided by financing activities during the first nine months of 2001 was \$2.3 million compared with \$2.8 million for the respective period last year. Cash proceeds from the issuance of common stock under option and employee purchase programs was \$2.4 million and \$2.8 million in the nine months ended September 30, 2001 and 2000, respectively. In addition, capital lease financing

provided \$1.0 million in cash during the first nine months of 2001 and \$650,000 for the same period in 2000. We expect similar fluctuations to occur throughout the year, as the amount and frequency of stock-related transactions are dependent upon the market performance of our common stock.

We believe that our existing capital resources, together with interest income and future payments due under our strategic alliances, will be sufficient to satisfy our current and projected funding requirements for at least the next 12 months. However, we cannot guarantee that these capital resources and payments will be sufficient to conduct our research and development programs as planned. The amount and timing of expenditures will vary depending upon a number of factors, including progress of our research and product development programs.

We will require additional funding to continue our research and product development programs, to conduct pre-clinical studies and clinical trials, for operating expenses, to pursue regulatory approvals for our product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, the cost of product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We may seek to access the public or private equity markets whenever conditions are favorable. We may also seek additional funding through strategic alliances and other financing mechanisms. We cannot assure you that adequate funding will be available on terms acceptable to us, if at all. If adequate funds are not available, we may be required to curtail significantly one or more of our research or development programs or obtain funds through arrangements with collaborators or others. This may require us to relinquish rights to certain of our technologies or product candidates.

We expect to incur operating losses over the next several years as our research, development, pre-clinical studies and clinical trial activities increase. To the extent that we are unable to obtain third party funding for such expenses, we expect that increased expenses will result in increased losses from operations. We cannot assure you that we will be successful in the development of our product candidates, or that, if successful, any products marketed will generate sufficient revenues to enable us to earn a profit.

INTEREST RATE RISK

We are exposed to interest rate risk on our short-term investments and on our long-term debt. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high quality government and other debt securities. To minimize our exposure due to adverse shifts in interest rates, we invest in short-term securities and ensure that the maximum average maturity of our investments does not exceed 40 months. If a 10% change in interest rates were to have occurred on September 30, 2001, this change would not have had a material effect on the fair value of our investment portfolio as of that date. Due to the short holding period of our investments, we have concluded that we do not have a material financial market risk exposure.

Interest risk exposure on long-term debt relates to our note payable, which bears a floating interest rate of prime plus one quarter percent (6.25% at September 30, 2001 and 9.75% at December 31, 2000). At September 30, 2001 and December 31, 2000, the note balance was \$186,000 and \$311,000, respectively. This note is payable in equal monthly installments through January 2003. Based on the balance of our long-term debt, we have concluded that we do not have material financial market risk exposure.

CAUTION ON FORWARD-LOOKING STATEMENTS

Our business is subject to significant risks, including but not limited to, the risks inherent in our research and development activities, including the successful continuation of our strategic collaborations, the successful completion of clinical trials, the lengthy, expensive and uncertain process of seeking regulatory approvals, uncertainties associated both with the potential infringement of patents and other intellectual property rights of third parties, and with obtaining and enforcing our own patents and patent rights, uncertainties regarding government reforms and of product pricing and reimbursement levels, technological change and competition, manufacturing

uncertainties and dependence on third parties. Even if our product candidates appear promising at an early stage of development, they may not reach the market for numerous reasons. Such reasons include the possibilities that the product will be ineffective or unsafe during clinical trials, will fail to receive necessary regulatory approvals, will be difficult to manufacture on a large scale, will be uneconomical to market or will be precluded from commercialization by proprietary rights of third parties. For more information about the risks we face, see "Risk Factors" included in Part I of our Form 10-K filed with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A discussion of the Company's exposure to, and management of, market risk appears in Part 1, Item 2 of this Quarterly Report on Form 10-Q under the heading "Interest Rate Risk".

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits. The following exhibit is filed as part of this report:

10.1 Employment Agreement dated October 17, 2001, between the Registrant and Henry Pan, MD, PhD.

(B) Reports on Form 8-K. There were no current reports on Forms 8-K filed this quarter.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: 11/12/01

/s/ Paul W. Hawran

Paul W. Hawran
Executive Vice President and
Chief Financial Officer

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of October 17, 2001 (the "Effective Date") by and between NEUROCRINE BIOSCIENCES, INC., 10555 Science Center Drive, San Diego, California 92121 (hereinafter the "Company"), and Henry Pan, MD, PhD., 14 East Shore Drive Princeton, NJ 08540 (hereinafter "Executive").

R E C I T A L S

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive is to be employed by the Company on and after the date hereof; and

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

TERM OF AGREEMENT

1.1 Commencement Date. Executive's fulltime employment with the Company under this Agreement shall commence as of October 15, 2001 ("Commencement Date") and this Agreement shall expire after a period of three (3) years from the Commencement Date, unless terminated earlier pursuant to Article 6.

1.2 Renewal. The term of this Agreement shall be automatically renewed for successive, additional three (3) year terms unless either party delivers written notice to the other at least ninety (90) days prior to the end of any term of an intention to terminate this Agreement or to renew it for a term of less than three (3) years but not less than (1) year. If the term of this Agreement is renewed for a term of less than three (3) years, then thereafter the term of this Agreement shall be automatically renewed for successive, additional identical terms unless either party delivers a written notice to the other of an intention to terminate this Agreement or to renew it for a different term of not less than one (1) year, such notice to be delivered at least ninety (90) days prior to the end of any term. The Company's failure to renew this Agreement at the end of any term shall be considered a termination without Cause as set forth in Section 6.4 below.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive hereby accepts employment with the Company pursuant to the terms and conditions hereof. Executive agrees to serve the Company in the position of Executive Vice President, Clinical Research and

Chief Medical Officer. Executive shall have the powers and duties commensurate with such position, including but not limited to hiring personnel necessary to carry out the responsibilities for such position as set forth in the annual business plan approved by the Board of Directors.

2.2 Full Time Attention. Executive shall devote his best efforts and his full business time and attention to the performance of the services customarily incident to such office and to such other services as the President or Board may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the President & Chief Executive Officer, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an "Affiliated Company"), provided that Executive may own less than two percent (2%) of the outstanding securities of any such publicly traded competing corporation.

ARTICLE 3

COMPENSATION

3.1 Base Salary. Executive shall receive a Base Salary at an annual rate of three hundred and fifteen thousand dollars (\$315,000), payable semi-monthly in equal installments in accordance with the Company's normal payroll practices. The Chief Executive Officer shall provide Executive with annual performance

reviews, and, thereafter, Executive shall be entitled to such increase in Base Salary as the Chief Executive Officer and Board of Directors may from time to time establish in their sole discretion.

3.2 Incentive Bonus. In addition to any other bonus Executive may be awarded by the Company's Board of Directors, the Company shall pay Executive an annual bonus as determined by the Company's Board of Directors and Chief Executive Officer based upon achievement of Executive in meeting personal goals approved by the Chief Executive Officer/ Board of Directors and achievement by the Company of corporate goals approved by the Board of Directors annually. Executive's personal goals and the Company's corporate goals will be set forth in writing by the Chief Executive Officer and Board within ninety (90) days after the start of the Company's fiscal year. The Board of Directors and Chief Executive Officer shall, in their sole discretion, determine whether Executive's personal goals have been obtained. The Board of Directors shall, in its sole discretion, determine whether the corporate goals have been obtained.

3.3 Equity.

- (a) Initial Grant. Pursuant to a Consulting Agreement dated September 25, 2001, the Executive was granted an option pursuant to the Company's 1992 Stock Incentive Plan, as amended, to purchase two hundred thousand (\$200,000) shares of the Company's common stock which option vests over a four-year period with twenty-five percent (25%) of such

vesting occurring on September 25, 2002 and 1/48 per month thereafter. The Executive's Consulting Agreement will be superceded by this Employment Agreement and the stock options granted thereunder will continue to vest in accordance with the 1992 Stock Incentive Plan during the term of this Employment Agreement.

- (b) Signing Bonus. As special consideration for entering into this Agreement, on the Effective Date of this Agreement the Company will sell to Executive 7500 shares of Company stock ("Signing Shares"). The Signing Shares will be held by the Company as restricted shares not available for resale until such time as the Signing Shares, or installment thereof as provided below, have been paid for in full and delivered to Executive. Executive will purchase the Signing Shares by providing to Company a note for the market value of the Signing Shares (the "Note"). The Note will bear interest payable by Executive annually in arrears. The principal amount of the Note will be forgiven in four (4) equal installments on each of the first four (4) anniversaries of the Effective Date provided there has been no termination of this Agreement. Upon forgiveness of each installment of the principal of the Note, the Signing Shares relating thereto shall be deemed paid for in full and will be delivered to Executive free of restrictions. In the event this Agreement shall be terminated prior to the fourth anniversary of the Effective Date, the Company may repurchase the Signing Shares for the then outstanding principal of the Note.
- (c) Annual Grants. Each year for the term of this Agreement, the Executive will be eligible to receive a Stock Option award under the Company's 1992 Incentive Stock Option Plan, as amended, with the number of shares and exercise price as shall be determined by the Board of Directors.

3.4 Withholdings. All compensation and benefits payable to Executive hereunder and the Agreement shall be subject to all federal, state, local and other withholdings and similar taxes and payments required by applicable law.

ARTICLE 4

EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. Executive shall be entitled to the greater of three (3) weeks of annual paid vacation or the amount of annual paid vacation to which Executive may become entitled under the terms of Company's vacation policy for employees during the term of this Agreement.

4.2 Benefits. During the term of this Agreement, the Company shall also provide Executive with the usual health insurance benefits it generally provides to its other senior management employees. As Executive becomes eligible in accordance with criteria to be adopted by the Company, the Company shall provide Executive with the right to participate in and to receive benefit from life, accident, disability, medical, pension, bonus, stock, profit-sharing and savings plans and similar benefits made available generally to employees of the Company as such plans and benefits may be adopted by the Company. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement. Such expenses shall be reimbursed and accounted for under the policies and procedure established by the Company.

4.4 Relocation Expense. The Company will reimburse the Executive for reasonable and customary out of pocket expenses relating to:

- (a) Travel. Travel from Princeton, NJ to San Diego for Executive and spouse for the final move. If by auto, the Company will reimburse mileage (\$0.10/mile), lodging and meals.
- (b) Temporary Housing. Temporary housing in San Diego for up to twelve (12) months to be arranged by the Company.
- (c) Moving Household Goods. Movement and storage (up to six (6) months) of household goods by authorized Company carrier, to be coordinated by the Company.
- (d) Relocation Expenses. Reimbursement of up to twenty-five thousand dollars (\$25,000.00) for miscellaneous documented relocation expenses payable upon the purchase or rental of a home in San Diego.
- (e) Real Estate Commissions. Reimbursement of reasonable and customary real estate commission and closing costs on the sale of Executive's home in Princeton;
- (f) Taxes. The Company will reimburse the Executive for federal and state income taxes associated with items (a) through (e), except for those expenses which are deductible for federal and state income tax purposes. In addition the company will retain, at company expense, a tax specialist who will provide tax guidance associated with your relocation for up to three years.

4.5 Home Loan. In connection with Executive's purchase of a home in the San Diego area, the Company will provide to Executive a loan of up to four hundred thousand dollars (\$400,000) repayable in full upon the first to occur of (a) the four (4) year anniversary of the loan, (b) termination of this Agreement, (c) sale of by Executive of any NBI security, or (d) refinancing or sale of the San Diego home. The loan will bear interest at a rate of five percent (5% p.a.) payable annually in arrears and will be secured with a second mortgage deed on the San Diego home. For so long as the loan remains outstanding, twelve and one-half percent (12.5%) of the outstanding principal amount of the loan will be forgiven on each of the first four anniversaries of the date of the loan for a total forgiveness of fifty percent (50%). It shall be a condition of the loan that Executive shall have provided a down payment on purchase of the home in San Diego of at least ten percent (10%) excluding the proceeds of the Company loan.

4.6 Purchase of San Diego Home.

- (a) Points. The Company will reimburse Executive up to three (3) points of the principal balance of the Executive's new mortgage relating to the purchase of a home in the San Diego area.
- (b) Mortgage Equalization. In connection with the purchase of a home in the San Diego area, for a period of three (3) years the Company will provide to Executive annual mortgage equalization payments for the amount by which the purchase price of the San Diego area home exceeds the selling price of Executive's New Jersey home up to a maximum of three hundred thousand dollars (\$300,000). The equalization payments will be a percentage of the incremental interest to be paid by Executive by reason of the amount by which the purchase price of the San Diego home exceeds the selling price of the Executive's New Jersey home (up to three hundred thousand dollars \$300,000). Such annual equalization payments will be as follows from the date of purchase and payable semi-monthly (i) Year One - one hundred percent (100%) of incremental interest; (ii) Year Two - sixty six percent (66%) of incremental interest; (iii) Year Three - thirty three (33%) of incremental interest.
- (c) Interest Reimbursement. If Executive purchases a home in San Diego before he has sold his New Jersey home, the Company will reimburse Executive for the lesser of the his mortgage interest payment on his New Jersey home and his mortgage interest payment on his San Diego home (after taking into consideration payments under Sections 4.5 and 4.6 hereof), provided, Company is not at that time also providing Executive with temporary housing in San Diego and, provided further, that such reimbursement will only be provided for the period beginning on the Effective Date of this Agreement and ending on the one year anniversary thereof. Thereafter, at such time as Executive's spouse relocates from New Jersey to San Diego and in connection therewith Executive's New Jersey home is listed for sale, the Company will reimburse Executive for the lesser of the his mortgage interest payment on his New Jersey home and his mortgage interest payment on his San Diego home (after taking into consideration payments under Sections 4.5 and 4.6 hereof) for a period not to exceed six (6) months.

4.7 Personal Travel. For the first twelve (12) months of this Agreement the Company will provide to Executive one round trip Coach Class airline ticket San Diego- New Jersey per month for Executive's personal travel and, during such twelve (12) month period, up to six (6) additional round trip Coach Class airline tickets San Diego- New Jersey for Executive's spouse. These tickets will be booked through the Company's corporate travel account and the Company will provide Business Class upgrades for such tickets on an as available basis.

4.8 Taxes. Executive will be responsible for the payment of all federal and state income taxes on all allowances, loans and loan forgiveness accruing to Executive pursuant to this Article 4.

ARTICLE 5

CONFIDENTIALITY

5.1 Proprietary Information. Executive represents and warrants that he has previously executed and delivered to the Company the Company's standard Proprietary Information and Inventions Agreement in form acceptable to the Company's counsel.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Proprietary Information as defined in the Proprietary Information and Inventions Agreement), and agrees not to make or retain copies, reproductions or summaries of any such property.

5.3 No use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

ARTICLE 6

TERMINATION

6.1 By Death. The period of employment shall terminate automatically upon the death of Executive. In such event, all stock options held by Executive at the time of termination will continue to vest for a period of six (6) months following termination. All stock options held by Executive that are vested at the time of termination or within six (6) months thereafter will be exercisable in accordance with their terms for a for a period of one year following termination. In addition, the Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued Base Salary, any bonus compensation to the extent earned, any vested deferred compensation (other than pension plan or profit-sharing plan benefits which will be paid in accordance with the applicable plan), any benefits under any plans of the Company in which Executive is a participant to the full extent of Executive's rights under such plans, any accrued vacation pay and any appropriate business expenses incurred by Executive in connection with his duties hereunder, all to the date of termination (collectively Accrued Compensation), but no other compensation or reimbursement of any kind, including, without limitation, severance compensation, and thereafter, the Company's obligations hereunder shall terminate.

6.2 By Disability. If Executive is prevented from properly performing his duties hereunder by reason of any physical or mental incapacity for a period of 120 consecutive days, or for 180 days in the aggregate in any 365-day period, then, to the extent permitted by law, the Company may terminate the employment of Executive at such time. In such event, all stock options held by Executive at the time of termination will continue to vest for a period of six (6) months

following termination. All stock options held by Executive that are vested at the time of termination or within six (6) months thereafter will be exercisable in accordance with their terms for a for a period of one year following termination. In addition, the Company shall pay to Executive all Accrued Compensation, and shall continue to pay to Executive the Base Salary until such time), as Executive shall become entitled to receive disability insurance payments under the disability insurance policy maintained by the Company, but no other compensation or reimbursement of any kind, including without limitation, severance compensation, and thereafter the Company's obligations hereunder shall terminate. Nothing in this Section shall affect Executive's rights under any disability plan in which he is a participant.

6.3 By Company for Cause. The Company may terminate the Executive's employment for Cause (as defined below) without liability at any time with or without advance notice to Executive. The Company shall pay Executive all Accrued Compensation, but no other compensation or reimbursement of any kind, including without limitation, severance compensation, and thereafter the Company's obligations hereunder shall terminate. Termination shall be for "Cause" in the event of the occurrence of any of the following: (a) any intentional action or intentional failure to act by Executive which was performed in bad faith and to the material detriment of the Company; (b) Executive intentionally refuses or intentionally fails to act in accordance with any lawful and proper direction or order of the Chief Executive Officer; (c) Executive and habitually neglects the duties of employment; or (d) Executive is convicted of a felony crime involving moral turpitude, provided that in the event that an of the foregoing events is capable of being cured, the Company shall provide written notice to Executive describing the nature of such event and Executive shall thereafter have ten (10) business days to cure such event.

6.4 Termination Without Cause. At any time, the Company may terminate the employment of Executive without liability other than as set forth below, for any reason not specified in Section 6.3 above, by giving thirty (30) days advance written notice to Executive. If the Company elects to terminate Executive pursuant to this Section 6.4,

- (a) the Company shall pay to Executive all Accrued Compensation,
- (b) the Company shall continue to pay to Executive as provided herein Executive's Base Salary over the period equal to nine (9) months from the date of such termination as severance compensation,
- (c) the Company shall make a lump sum payment to Executive in an amount equal to a pro rata portion of the Executive's annual actual cash incentive bonus for Company's fiscal year preceding the year of termination based on the number of completed months of Executive's employment in the fiscal year plus nine (9),
- (d) the vesting of all outstanding stock options held by Executive shall be accelerated so that the amount of shares vested under such option shall equal that number of shares which would have been vested if the Executive had continued to render services to the Company for nine (9) continuous months after the date of his termination of employment, and
- (e) the Company shall pay all costs which the Company would otherwise have incurred to maintain all of Executive's health and welfare, and retirement benefits (either on the same or substantially equivalent

terms and conditions) if the Executive had continued to render services to the Company for nine (9) continuous months after the date of his termination of employment. The Company shall have no further obligations to Executive other than those set forth in the preceding sentence. During the period when such severance compensation is being paid to Executive, Executive shall not (i) engage, directly or indirectly, in providing services to any other business program or project that is competitive to a program or project being conducted by the Company or any Affiliated Company at the time of such employment termination (provided that Executive may own less than two percent (2%) of the outstanding securities of any publicly traded corporation), or (ii) hire, solicit, or attempt to solicit on behalf of himself or any other party or any employee or exclusive consultant of the Company. If the Company terminates this Agreement or the employment of Executive with the Company other than pursuant to Section 6.1, 6.2 or 6.3, then this section 6.4 shall apply.

6.5 Constructive Termination. A Constructive Termination shall be deemed to be a termination of employment of Executive without cause pursuant to Section 6.4. For Purposes of this Agreement, a "Constructive Termination" means that the Executive voluntarily terminates his employment except in connection with the termination of his employment for death, disability, retirement, fraud, misappropriation, embezzlement (or any other occurrence which constitutes "Cause" under section 6.3) or any other voluntary termination of employment by Executive other than a Constructive Termination after any of the following are undertaken without Executive's express written consent:

- (a) the assignment to Executive of any duties or responsibilities which result in any diminution of position as judged against the duties and responsibilities assigned to executives with Executive's position in the Company's peer group of companies and shall not include (i) duties and responsibilities assigned to Executive with the understanding that as the Company grows and management staff increases in number, such duties and responsibilities will eventually be reassigned in a manner consistent with the Company's peer group of companies, (ii) change in reporting relationship that does not change in any material way the Executive's duties and responsibilities or (iii) any change in duties or responsibilities or reporting relationships that Executive does not identify as Constructive Termination to the Chief Executive Officer in writing within 15 days following the Chief Executive Officer's proposal of such change to Executive;
 - (b) a reduction by the Company in Executive's annual Base Salary by greater than five percent (5%);
 - (c) a relocation of Executive or the Company's principal executive offices if Executive's principal office is at such offices, to a location more than forty (40) miles from the location at which Executive is then performing his duties, except for an opportunity to relocate which is accepted by Executive in writing;
 - (d) any material breach by the Company of any provision of this Agreement;
- or

- (e) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company.

6.6 Termination Following Change in Control. Upon a Change in Control, the Company shall pay to Executive a lump sum severance payment in an amount equal to one (1.0) times (Executive's then Base Salary plus annual actual cash incentive bonus for Company's fiscal year preceding the year of termination) plus reimbursement for federal and state income taxes payable by Executive by reason of the such severance payment. In addition, the vesting of all outstanding stock options held by Executive shall be accelerated so that the options are immediately exercisable in full.

6.7 Change in Control. For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the term of Executive's employment hereunder, any of the following events shall occur:

- (a) The Company is merged, or consolidated, or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than 50% of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by the holders of voting securities of the Company immediately prior to such transaction;
- (b) The Company sells all or substantially all of its assets or any other corporation or other legal person and thereafter, less than 50% of the combined voting power of the then-outstanding voting securities of the acquiring or consolidated entity are held in the aggregate by the holders of voting securities of the Company immediately prior to such sale;
- (c) There is a report filed after the date of this Agreement on Schedule 13 D or schedule 14 D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the exchange Act) has become the beneficial owner (as the term beneficial owner is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) representing 50% or more of the combined voting power of the then-outstanding voting securities of the Company;
- (d) The Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to item 1 of Form 8-X thereunder or Item 5(f) of Schedule 14 A thereunder (or any successor schedule, form or report or item therein) that the change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or
- (e) During any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the directors of the Company

cease for any reason to constitute at least a majority thereof unless the election to the nomination for election by the Company's shareholders of each director of the Company first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of such period.

6.8 Termination by Executive. At any time, Executive may terminate his employment by giving thirty (30) days advance written notice to the Company. The Company shall pay Executive all Accrued Compensation, but no other compensation or reimbursement of any kind, including without limitation, severance compensation, and thereafter the Company's obligations hereunder shall terminate.

6.9 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate the amount of any payment provided under this Agreement by seeking other employment or self-employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or through self-employment or by retirement benefits after the date of Executive's termination of employment from the Company.

6.10 Coordination. If upon termination of employment, Executive becomes entitled to rights under other plans, contracts or arrangements entered into by the Company, this Agreement shall be coordinated with such other arrangements so that Executive's rights under this Agreement are not reduced, and that any payments under this Agreement offset the same types of payments otherwise provided under such other arrangements, but do not otherwise reduce any payments or benefits under such other arrangements to which Executive becomes entitled.

ARTICLE 7

GENERAL PROVISIONS

7.1 Governing Law. The validity, interpretation, construction and performance of this Agreement and the rights of the parties thereunder shall be interpreted and enforced under California law without reference to principles of conflicts of laws. The parties expressly agree that inasmuch as the Company's headquarters and principal place of business are located in California, it is appropriate that California law govern this Agreement.

7.2 Assignment; Successors Binding Agreement.

- (a) Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.
- (b) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by operation of law

or by agreement in form and substance reasonably satisfactory to Executive, to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

- (c) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributee, devisees and legatees. If Executive should die while any amount is at such time payable to his hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to his estate.

7.3 Certain Reduction of Payments. In the event that any payment or benefit received or to be received by Executive under this Agreement would result in all or a portion of such payment to be subject to the excise tax on "golden parachute payments" under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then Executive's payment shall be either (a) the full payment or (b) such lesser amount which would result in no portion of the payment being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable Federal, state and local employment taxes, income taxes, and the excise tax imposed by Section 4999 of the Code, results in the receipt by Executive on an after-tax basis, of the greatest amount of the payment notwithstanding that all or some portion of the payment may be taxable under Section 4999 of the Code.

7.4 Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

To the Company:
Neurocrine Biosciences, Inc.
10555 Science Center Drive
San Diego, CA 92121
Attn.: President & Chief Executive Officer

To Executive:
Henry Pan, M.D.
14 East Shore Drive
Princeton, New Jersey 08540

7.5 Modification; Waiver; Entire Agreement. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board of the Company. No waiver by either party

hereto at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

7.6 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.7 Controlling Document. Except to the extent described in Section 6.10, in case of conflict between any of the terms and condition of this Agreement and the document herein referred to, the terms and conditions of this Agreement shall control.

7.8 Executive Acknowledgment. Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

7.9 Remedies.

- (a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.
- (b) Exclusive. Both parties agree that the remedy specified in Section 7.9.1 above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same Agreement.

7.11 Prevailing Party Expenses. In the event that any action or proceeding is commenced to enforce the provisions of the Agreement, the court adjudicating such action or proceeding shall award to the prevailing party all costs and expenses thereof, including, but not limited to, all reasonable attorneys' fees, court costs, and all other related expenses.

Executed by the parties as of the day and year first above written.

EXECUTIVE

NEUROCRINE BIOSCIENCES, INC

By: \s\ Henry Pan

By: \s\ Gary A. Lyons

Henry Pan, M.D., Ph.D.

Gary A. Lyons